

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 420 – SB 371

May 9, 2017

SUMMARY OF ORIGINAL BILL: Deletes all language of the existing Uniform Disposition of Unclaimed (Personal) Property Act (Tenn. Code Ann. § 66-29-1) and replaces it with the Uniform Unclaimed Property Act (the Act). Excludes foreign transactions from the application of the Act. Authorizes the Treasurer to promulgate rules to carry out this Act. Specifies when certain types of properties are considered abandoned. Sets a general abandonment period of three years for all other property. Authorizes methods in which the Treasurer may take custody of such property. Requires notice be given to property owners prior to the Treasurer taking custody. Authorizes the Treasurer to sell the property after a three year period; but prohibits the sale of military medals.

Requires reports of abandoned property to be submitted to the Treasurer electronically. Changes, from May 1 of each year to November 1 of each year, the date by which holders of abandoned property must report to the Treasurer. Requires property held during 2016 to be reported by May 1, 2017 and property held in 2017 to be reported by November 1, 2018.

Requires funds received under this act to be deposited into the General Fund; however a fund must be maintained sufficient to pay claims and administrative costs associated with the Act. Authorizes local governments to request that funds be remitted on their behalf after a period of 18 months. Authorizes the Treasurer to deduct an amount of funds sufficient to pay administrative costs prior to depositing funds in the General Fund.

Decreases, from ten to five, the number of years the Treasurer may maintain an action or proceeding to enforce payment or recovery of property after a holder files a report or gives notice to the Treasurer of a dispute regarding the property under certain circumstances.

Prohibits the Treasurer from selling a security within three years of receiving the security. If such security is sold prior to six years following the date it is received by the Treasurer, and a valid claim is made for that property, the Treasurer is required to replace the security or give to the claimant the market value of that security at the time of the claim plus dividends, interest, and other increments.

Authorizes the Treasurer to review the records of a putative holder of property. Authorizes a putative holder of property to request an informal conference with the Treasurer following a receipt of determination. Authorizes such holder to seek relief through judicial review. Authorizes the Treasurer to commence action in Davidson County Chancery Court to enforce a determination that a holder must deliver property. Authorizes the Treasurer to issue a penalty against a holder who fails to report or deliver property.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – \$79,400,000/FY17-18
Exceeds \$13,000,000/Each Year FY19-20 through FY22-23
\$9,000,000/FY23-24 and Subsequent Years

Increase State Revenue – \$80,900,000/FY18-19

Increase State Expenditures –
Exceeds \$155,000/FY17-18 and Subsequent Years

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue – Exceeds \$100,000

Other Commerce Impact — Businesses may experience an increase in expenditures related to holding property for longer periods of time as a result of this bill. Any such impact on business expenditures is dependent on multiple unknown factors and cannot be reasonably determined.

SUMMARY OF AMENDMENTS (005449, 008015, 008735): Amendment 005449 rewrites language in the original bill specifying that the Treasurer may promulgate rules pursuant to the Uniform Administrative Procedures Act. Requires the Treasurer to sell or liquidate a security no sooner than eight months but no later than one year after receiving the security and giving the owner notice. Deletes the proposed Tenn. Code Ann. § 66-29-143 that required if a security is sold prior to six years following the date it is received by the Treasurer, and a valid claim is made for that property, the Treasurer is required to replace the security or give to the claimant the market value of the security at the time of the claim plus dividends, interest, and other increments.

Clarifies that the Treasurer is authorized to deliver certain property directly to an agency, local government, public institution of higher education, or local education agency. Designates Tenn. Code Ann. § 66-29-143 as reserved.

Amendment 008015 changes the abandon property report deadline in the original bill from November 1 to May 1 of each year; and deletes language in the original bill that prohibited the Treasurer from commencing an action or proceeding with respect to the reporting, payment, or delivery of property more than five years after a report is filed.

Amendment 008735 effectively rewrites amendment 005449 without making any substantive changes to the legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue – \$66,700,000/FY18-19

Assumptions for the bill as amended:

- Under current law, Tenn. Code Ann §§ 66-29-104 and 66-29-105, unclaimed property held by banking or financial institutions and insurance corporations are presumed abandoned five years after they become due. The proposed legislation will reduce that time period to three years.
- Based on information provided by Treasury, there will be a one-time increase in state revenue estimated to be \$66,700,000 in FY18-19 from decreasing the abandonment time period threshold from five years to three years for these properties.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

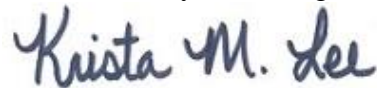
NOT SIGNIFICANT

Assumptions for the bill as amended:

- Any net change in business expenditures related to holding unclaimed property is estimated to be not significant.
- Any impact on jobs in Tennessee is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jaw